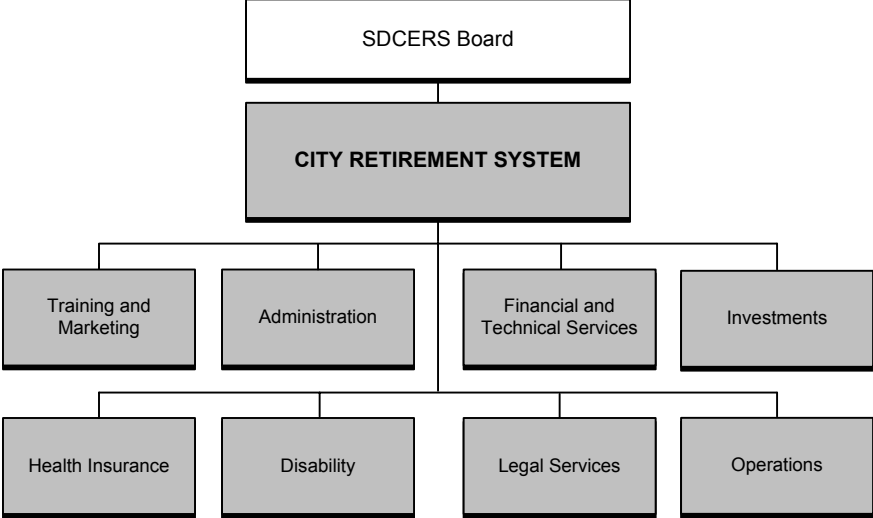


CITY RETIREMENT SYSTEM





City Retirement System



Mission Statement

To continually deliver accurate and timely benefits through prudent administration and safeguarding of the San Diego City Employees' Retirement System, while ensuring the fund's maximum safety, integrity, and growth.

Department Description

The San Diego City Employees' Retirement System (SDCERS) invests, manages and administers the \$3.27 billion retirement pension plans for general members, safety members and legislative officers of the City of San Diego. In addition, the employees of the San Diego Unified Port District and the San Diego County Regional Airport Authority are members of the SDCERS by virtue of contractual agreements.

Division/Major Program Description

Administration

The Administration Division provides general management, overall policy direction, coordination and planning of the SDCERS. Staff provides timely input to the Retirement Board of Administration in making member benefits, administrative policy and investment decisions. The Administration Division also provides actuary services, travel and training expenses, consulting services, strategic planning and performance surveys.

Disability

The Disability Program is responsible for processing all disability applications, preparing reports for the Retirement Board, and recommending approval or denial of disability applications. The Program provides monthly reports related to the status of all pending disability cases. It also coordinates and represents the Retirement System at all disability pre-hearings and hearings.

City Retirement System

Division/Major Program Description

Financial and Technical Services

The Financial and Technical Services Division audits retirement functions as directed by the Retirement Administrator; conducts compliance audits of benefits administration, including audits of benefit calculations and monthly retirement allowances; administers the bi-weekly retirement contribution process; prepares and monitors the Department's budget; and manages special projects and information technology services. Additionally, the Division is the project lead for all new systems development, including the Membership Benefits System; supports all actuarial data requirements, and acts as the primary point of contact for the Unified Port District and the Airport Authority.

Health Insurance

The Health Insurance Group administers the post-retirement health insurance benefits for the City of San Diego retirees and the annual open enrollment process, makes premium payments to the carriers and answers retirees' questions concerning health insurance benefits and the various plans offered.

Investments

The Investments Division is responsible for conducting the day-to-day investment and corporate governance functions in accordance with the Retirement Board's adopted investment policies and procedures; negotiating contracts with, reviewing performance of, and maintaining positive relationships with external money managers, consultants and other investment service providers; managing cash flows between the Retirement System, external money managers, the City and other parties; researching, analyzing, and recommending investment alternatives to the Investment Committee and/or Retirement Board; monitoring investment activity of money managers and the custodial bank; and preparing general ledgers and financial statements of the Trust Fund.

Legal Services

The Legal Services Division is responsible for providing legal advice and assistance to the Retirement Board and staff in the areas of trust, tax, contracts, community property, benefit interpretation and eligibility, investments, corporate governance and fiduciary responsibility; drafting legal documents such as ordinances, resolutions, contracts, rules and pleadings; coordinating the use of outside counsel; and representing the Retirement Board and/or staff in all legal proceedings to which the Retirement Board is a party.

Operations

The Operations Division is responsible for calculating retirement, survivor, and death benefits; processing enrollment documentation of new members; maintaining records of all active and retired members; and calculating and processing all member termination refunds for the City of San Diego, Unified Port District, and Airport Authority employees. This Division provides counseling

City Retirement System

Division/Major Program Description

Operations (continued)

sessions on service retirement, disability retirement, reciprocity, Deferred Retirement Option Plan (DROP) Program, and purchase of service credits. The Division also provides pre-retirement counseling and planning for members of the Retirement System.

Training and Marketing

The Training and Marketing Division creates and maintains procedures for all tasks associated with benefit administration, and trains staff on how to accomplish each task. In addition, the Division maintains the SDCERS website, oversees the SDCERS quarterly newsletter production, prepares and distributes brochures, updates member handbooks, develops a retiree handbook, and produces other marketing materials to facilitate communication with SDCERS membership and the public.

Service Efforts and Accomplishments

Since the inception of the San Diego City Employees' Retirement System 77 years ago, the number of active contributing members and retirees has continued to grow. During Fiscal Year 2004, SDCERS processed 6,422 purchase of service credit contracts; 423 service and disability retirements; and 444 DROP retirements; hosted six pre-retirement seminars; provided information at 14 new employee orientations; and advised members in 2,330 counseling sessions.

In Fiscal Year 2003, SDCERS selected a software vendor to assist in the development of an Electronic Document Management System. This project has allowed SDCERS to improve its efficiencies by completing services electronically, and has increased the safety and security of member information by replacing paper files with electronic images.

The Government Finance Officers Association of the United States and Canada has given the Award for Outstanding Achievement in Popular Annual Financial Reporting to SDCERS for its Popular Annual Financial Report for Fiscal Year 2003. This is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government popular reports.

Over the past year, the SDCERS Board managed the investment portfolio through a period of successfully improving fundamentals in the financial markets, which were due to the on-going economic recovery in mid-2003. In Fiscal Year 2004, SDCERS earned a total return of +20.21%, as compared to a total return of +5.44% for the previous fiscal year.

Future Outlook

Prudent and excellent investments, along with consistently high quality customer service to all the SDCERS active and retired members and their beneficiaries, continue to be the goals of the SDCERS.

City Retirement System

City Retirement System				
	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL	FY 2005-2006 CHANGE
Positions	50.00	50.00	50.00	0.00
Personnel Expense	\$ 4,554,998	\$ 5,289,853	\$ 5,480,858	\$ 191,005
Non-Personnel Expense	\$ 18,014,315	\$ 22,520,555	\$ 27,735,851	\$ 5,215,296
TOTAL	\$ 22,569,313	\$ 27,810,408	\$ 33,216,709	\$ 5,406,301

Department Staffing

	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL
CITY EMPLOYEES' RETIREMENT SYSTEM			
City Retirement System			
Administration	4.50	4.50	4.50
Disability	4.00	4.00	4.00
Financial & Technical Services	6.00	6.00	7.00
Health Insurance	2.30	2.30	2.30
Investments	4.50	4.50	4.50
Legal Services	6.00	6.00	6.00
Operations	18.70	19.70	19.70
Training & Marketing	4.00	3.00	2.00
Total	50.00	50.00	50.00

Department Expenditures

	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL
CITY EMPLOYEES' RETIREMENT SYSTEM			
City Retirement System			
Administration	\$ 1,904,099	\$ 1,799,576	\$ 1,905,842
Disability	\$ 570,440	\$ 800,445	\$ 733,897
Financial & Technical Services	\$ 2,873,605	\$ 3,634,253	\$ 5,434,954
Health Insurance	\$ 223,120	\$ 236,731	\$ 248,743
Investments	\$ 13,403,709	\$ 17,251,207	\$ 19,640,217
Legal Services	\$ 1,181,227	\$ 1,246,550	\$ 2,577,599
Operations	\$ 1,555,102	\$ 2,238,709	\$ 2,153,455
Training & Marketing	\$ 858,011	\$ 602,937	\$ 522,002
Total	\$ 22,569,313	\$ 27,810,408	\$ 33,216,709

City Retirement System

Significant Budget Adjustments

CITY EMPLOYEES' RETIREMENT SYSTEM

City Retirement System	Positions	Cost
Salary and Benefit Adjustments	0.00	\$ 266,388
Adjustments to reflect the annualization of the Fiscal Year 2005 negotiated salary compensation schedule, changes to average salaries, retirement contributions, and retiree health contributions. Position adjustments, if applicable, reflect the City Manager's restructuring of Executive Team assignments.		
Addition of Support in City Retirement System	0.00	\$ 5,131,512
Addition of support in City Retirement System based on changes approved by the San Diego City Employees' Retirement System Board.		
Non-Discretionary	0.00	\$ 8,401
Adjustments to reflect expenses that are determined outside of the Department's direct control. Examples of these adjustments include utilities, insurance, and rent.		

Expenditures by Category

	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL
PERSONNEL			
Salaries & Wages	\$ 3,356,876	\$ 3,791,958	\$ 3,881,891
Fringe Benefits	\$ 1,198,122	\$ 1,497,895	\$ 1,598,967
SUBTOTAL PERSONNEL	\$ 4,554,998	\$ 5,289,853	\$ 5,480,858
NON-PERSONNEL			
Supplies & Services	\$ 16,938,276	\$ 21,523,289	\$ 26,699,741
Information Technology	\$ 995,191	\$ 930,681	\$ 954,334
Energy/Utilities	\$ 69,674	\$ 55,411	\$ 70,602
Equipment Outlay	\$ 11,174	\$ 11,174	\$ 11,174
SUBTOTAL NON-PERSONNEL	\$ 18,014,315	\$ 22,520,555	\$ 27,735,851
TOTAL	\$ 22,569,313	\$ 27,810,408	\$ 33,216,709

Salary Schedule

CITY EMPLOYEES' RETIREMENT SYSTEM

City Retirement System

Class	Position Title	FY 2005 Positions	FY 2006 Positions	Salary	Total
1104	Account Clerk	1.00	1.00	\$ 36,329	\$ 36,329
1106	Sr Management Analyst	1.00	3.00	\$ 68,677	\$ 206,032
1107	Administrative Aide II	1.00	1.00	\$ 48,630	\$ 48,630

City Retirement System

Salary Schedule

CITY EMPLOYEES' RETIREMENT SYSTEM

City Retirement System

<i>Class</i>	<i>Position Title</i>	<i>FY 2005 Positions</i>	<i>FY 2006 Positions</i>		<i>Salary</i>	<i>Total</i>
1218	Assoc Management Analyst	12.00	10.00	\$	61,400	\$ 614,002
1255	Benefits Representative I	2.00	1.00	\$	36,059	\$ 36,059
1348	Info Systems Analyst II	1.00	1.00	\$	62,220	\$ 62,220
1535	Clerical Assistant II	9.00	8.00	\$	33,827	\$ 270,617
1577	Legal Secretary	1.00	1.00	\$	49,286	\$ 49,286
1598	Legal Assistant	2.00	2.00	\$	60,448	\$ 120,896
1746	Word Processing Operator	1.00	1.00	\$	36,284	\$ 36,284
1801	Retirement Asst	5.00	7.00	\$	42,374	\$ 296,618
1822	Sr Legal Assistant	1.00	1.00	\$	66,667	\$ 66,667
1876	Executive Secretary	2.00	2.00	\$	50,454	\$ 100,908
2119	Asst Retirement Admin	1.00	1.00	\$	177,582	\$ 177,582
2180	Retirement Administrator	1.00	1.00	\$	197,325	\$ 197,325
2195	Retirement General Counsel	1.00	1.00	\$	176,000	\$ 176,000
2196	Asst Retirement General Counsel	1.00	1.00	\$	144,523	\$ 144,523
2224	Assoc Counsel	1.00	1.00	\$	119,558	\$ 119,558
2241	Investment Officer	1.00	1.00	\$	163,604	\$ 163,604
2256	Asst Investment Officer	1.00	1.00	\$	110,514	\$ 110,514
2274	Medical Review Officer	1.00	1.00	\$	75,590	\$ 75,590
2282	Program Coordinator	3.00	3.00	\$	98,684	\$ 296,052
	Ex Perf Pay-Classified	0.00	0.00	\$	-	\$ 25,000
	Temporary Help	0.00	0.00	\$	-	\$ 451,595
	Total	50.00	50.00			\$ 3,881,891

CITY RETIREMENT SYSTEM TOTAL 50.00 **50.00** **\$ 3,881,891**

Non-General Fund Five-Year Expenditure Forecast

	FY 2006 FINAL	FY 2007 FORECAST	FY 2008 FORECAST	FY 2009 FORECAST	FY 2010 FORECAST	FY 2011 FORECAST
Positions	50.00	50.00	50.00	50.00	50.00	50.00
Personnel Expense	\$ 5,480,858	\$ 5,645,284	\$ 5,814,642	\$ 5,989,082	\$ 6,168,754	\$ 6,353,817
Non-Personnel Expense	\$ 27,735,851	\$ 28,567,927	\$ 29,424,965	\$ 30,307,714	\$ 31,216,945	\$ 32,153,453
TOTAL EXPENDITURES	\$ 33,216,709	\$ 34,213,211	\$ 35,239,607	\$ 36,296,796	\$ 37,385,699	\$ 38,507,270

City Retirement System

Fiscal Years 2007-2011

No major projected requirements.